

## Message Text

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PAGE 01 TOKYO 02915 01 OF 02 270752Z

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ACTION EB-07

INFO OCT-01 CIAE-00 COME-00 DODE-00 NRC-05 NSAE-00 TRSE-00

EA-07 ERDA-05 ISO-00 /025 W

----- 032433

R 270650Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7234

LIMITED OFFICIAL USE TOKYO SECTION 1 OF 2 TOKYO 2915

EXCON FROM COMMERCE

E.O. 11652 N/A

TAGS: ESTC, JA

SUBJ: AUDITING OF RECORDS MAINTAINED UNDER DISTRIBUTION LICENSE  
PROCEDURE - DIGITAL EQUIPMENT CORP INTERNATIONAL JAPAN

REF: STATE A-237

1. DESCRIBED BELOW ARE RESULTS OF DISTRIBUTING RECORDS REVIEW  
CONDUCTED BY EMBASSY STAFF OF DIGITAL EQUIPMENT CORP INTL JAPAN  
(DECJ) KOWA BLDG. NO. 25, 8-7, SANBAN-CHO, CHIYODA-KU, TOKYO  
102, JAPAN, WHOLLY OWNED SUBSIDIARY OF DIGITAL EQUIPMENT CORP,  
MAYNARD, MASS (DECM), AS REQUESTED REPAIR (RECEIVED HERE FEB  
3). ANSWERS ARE KEYED TO QUESTIONS IN REPAIR (ALL STATE-  
MENT OF DECJ CONTAINED IN THIS REPORT WERE MADE BY MR. FUMIKI  
HARYU, ORDER PROCESSING MANAGER OF DECJ);

2. (FIRST TWO PARAS, REPAIR) DECJ RECORDS DO NOT CONTAIN  
COPIES OF EXPORT ADMINISTRATION REGULATIONS ISSUED TO DATE  
NOR ANY LETTER OF INSTRUCTIONS FROM DECM ON DISTRIBUTOR'S  
OBLIGATIONS UNDER SECTION 373.3. DECJ FILES SHOW NO INDICATION  
THAT DECM HAS ADVISED DECJ ON SECTION 373.3-(F)-(2)-(II).

3. (Q. 1, REPAIR) DECJ'S SALES RECORDS ARE MAINTAINED  
BY SETS OF VOUCHERS, INVOICES, TELEX ORDERS, AIR WAYBILLS,  
RECEIPTS ETC, CLASSIFIED BY SEPARATE FILES OF INDIVIDUAL  
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PAGE 02 TOKYO 02915 01 OF 02 270752Z

ORDER SHEETS AND CUSTOMS CLEARANCES RECORDS. THESE

DOCUMENTS SHOW DATE OF ARRIVALS, DELIVERY DATES, FULL NAMES AND ADDRESSEES OF INDIVIDUAL LOCAL CUSTOMERS AS WELL AS FULL DESCRIPTION, UNITS OF QUANTITY AND VALUE OF COMMODITY RESOLD, FOR EACH IMPORT LOT AND EACH RESALE MADE BY DECJ IN JAPAN.

4. (Q. 2, REFAIR) DECJ HAS ON FILE COPY OF APPROVED AND VALIDATED DIB-678P (FC-1143) COVERED BY DISTRIBUTION LICENSE NO. V-1013 DEFECTIVE FOR PERIOD OF NOV 20, 1974 THRU FEB 29, 1976. DECJ STATES THAT DECM IS NOW APPLYING TO OEA FOR RENEWAL OF DISTRIBUTION LICENSE AND THAT NEW DIB-678P PREPARED BY DECJ AT REQUEST OF DECM WAS SENT ON DEC 8, 1975. DECJ FILES CONTAIN NO COPY OF THE FIRST VALIDATED DIB-678P COVERING PERIOD UNDEED NOV 1974, AND DECJ STATES IT FAILED TO FIND TO HAVE BEEN APPROVED IN 1972.

5. (Q.3, REFAIR) DECJ RETAINS JUNE 1, 1973 AND JUNE 1, 1974 TAGLES OF DENIAL AND PROBATION ORDERS, BUT ITS FILES CONTAN NEITHER APRIL 1, 1975 NOR MOST RECENT JUNE 1, 1975, TABLES, DECJ FILES INDICATE THAT IT IS RECEIVING ADDENDA THERETO IRREGULATORY FROM DECM, LATEST EXPORT ADMINISTRATION BULLETIN CONTAINING REVISED DENIAL LIST WHICH IT HAS IS AUG 15, 1975 ISSUE. DECJ STATES THE FIRM IS TAKING NO SPECIAL ACTION TO ASSURE THAT NO SHIPMENTS BE MADE BY LOCAL CUSTOMERS TO PERSNS OR FIRMS ON DENIAL LIST BUT DOES WARN THOSE CUSTOMERS THAT RE-EXPORT TO COMMUNIST COUNTRIES OF DECM-MADE PRODUCTS SOLD TO THEM BY DECJ REQUIRED SPECIAL APPROVAL BY OEA.

6. (Q.4, REFAIR) SALES RECORDS INDICATE THAT DISPOSITION AND USE OF COMMODITIES IMPORTED FROM DECM UNDER THE PROCEDURE ARE IN ACCORDANCE WITH THOS SUPPORT DECJ'S STATEMENT THA THE FIRM'S RESALES HAVE ALL BEEN MADE N THE SAME FORM AS RECEIVED FROM DECM, EXCEPT FOR OCCASIINAL ALTERATION OF CHARACTERS FROM INGLISH TO JAPANESE OR OTHER LANGUAGES FOR INPUT-OUTPUT DEVICE INDICATORS AT REQUEST OF LOCAL CUSTOMERS.

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PAGE 03 TOKYO 02915 01 OF 02 270752Z

7. (Q. 5, REFAIR) DECJ KEEPS LIST OF APPROVED DIB-678P CONSIGNEES RECEIVED FROM DECM. DECJ STATES THAT IT IS FULLY AWARE THAT OEA'S SPECIAL APPROVAL IS NEEDED FOR RE-EXPORT TO FIRMS OTHER THAN THOSE APPROVED CONSIGNEES. THE RECORDS SUPPORT DECJ'S STATEMENT THAT THERE HAS BEEN NO DIRECT RE-EXPORT FROM DCJ TO FOREIGN COUNTRY, EXCPET (A) OCCASIONAL SHIPMENTS TO DECM (U.S.) TO RETURN SURPLUS SPARE APRTS ONCE IMPRTED AND (B) DECM'S DIRECT

SHIPMENT OF ONE UNIT OF PDP8/E-AE COMPUTER SYSTEM MADE  
IN NOV 1975 TO KOREAN END-USER, TAIHAN ELECTRIC WIRE COM.  
LTD OF SEOUL, BY ORDER OF DECJ AND UNDER OEA'S APPROVA  
OF SINGLE TRANSACTIONS APPLIED FOR BY DECM UNDER DATE OF  
SEPT 5.

8. (Q. 6, REFAIR) DESTINATION CONTROL STATEMENT IS  
TYPED ON ALL DECM'S INVOICES AND AIR WAYBILLS RECEIVED  
BY DECJ'S AS PRESCRIBED IN SECTION 386.6

9. IN ADDITION, FLOWING INFORMATON WAS OBTAINED FROM  
DECJ'S RECORDS AND STATEMENTS:

A. DECJ RETAINS WRITTEN DISTRIBUTION AGREEMENT  
DATED JUL 1, 1973 SIGNED BY EDWARD A. SCHARTZ, GENERAL  
COUNSEL AND SECRETARY OF DECM AND MR. HATA, GENERAL  
MANAGER OF DECJ. DECJ STATES THAT AGREEMENT UNDERWHICH  
DECJ WASGRANTED SOLE DISTRIBUTORSHIP IN JAPAN BY DECM  
HAS BEEN AND WILL BE AUTOMATICALLY EXTENDED UNLESS OTHER  
WISE NOTIFIED BY DECM.

B. THE RECORDS SHOW THAT DECJ'S IMPORTS FROM DECM  
UNDER THE PROCEDURE DURING PERIOD OF MAY 1 THRU AUG 31,  
1975 TOTALED CIF\$1,426,548.88, WITH A BREAKDOWN INTO  
\$341,830.72 RESOLD TO 27 DOMESTIC ORIGINAL EQUIPMENT

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PAGE 01 TOKYO 02915 02 OF 02 270758Z

11

ACTION EB-07

INFO OCT-01 EA-07 ISO-00 DODE-00 NRC-05 NSAE-00 TRSE-00

ERDA-05 CIAE-00 COME-00 /025 W

----- 032485

R 270750Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 7235

LIMITED OFFICIAL USE SECTION 2 OF 2 TOKYO 2915

MANUFACTURES (OEM'S), DOLS 822,883.49 RESOLD TO 78 CPOMESTIC  
SYSTEM HOUSES AND DOLS 261,834.67 WORTH OF REPAIR AND  
INVENTORY PARTS RETAINED BY DECJ.

C. DECJ SALES RECORDS CONTAIN FULL NAMES AND

ADDRESSES OF ALL END USERS TO WHOM SYSTEM HOUSES RESOLD DECM-MADE PRODUCTS THEY HAD PURCHASED FROM DECJ. HOWEVER, DECJ STATES SOME ULTIMATE END USERS OF DECM PRODUCTS RESOLD BY DECJ TO OEM'S ARE UNKNOWN BECAUSE PRODUCTS RESOLD BY DECJ ARE INCORPORATED INTO OEM'S OWN EQUIPMENT TO BE FURTHER RESOLD TO THIRD PARTIES. DECJ STATES, HOWEVER, THAT IT BELIEVES IT HAS VIRTUALLY COMPLETE CONTROL OVER CASES OF RE-EXPORT MADE BY ITS LOCAL CUSTOMERS, SINCE THOSE CUSTOMERS REQUEST DECJ TO TAKE STEPS TO OBTAIN IMPORT DUTY EXEMPTION FROM CUSTOMS WHEN THEY PURCHASE FROM DECJ FOR RE-EXPORT PURPOSES. DECJ RECORDS SUPPORT THE FIRM'S STATEMENT THAT RE-EXPORTS MADE BY DECJ'S DOMESTIC CUSTOMERS SINCE MAR 31, 1972 (WHEN DECJ STARTED DIRECT IMPORT FROM DECM) TO DATE HAVE CONSISTED OF FOLLOWING FIVE SHIPMENTS BY TWO FIRMS: (A) FOUR SHIPMENTS BY JEOL LTD. (FORMERLY JAPAN ELECTRON OPTICS LABORATORY), I.E. (1) DPD8E COMPUTER SYSTEM (DATE IMPORTED BY DECJ: NOV 1973; DECJ'S IMPORT VALUE: CIF DOLS 5,207.36) TO INSTYTUT MECHANIKI PRECYZYJNEJ, WARSAW, POLAND (CASE NO. 093666), (2) SAME SYSTEM (DEC 1973; CIF DOLS 9,230.95) TO VYSKUMNY USTAV CKD, PRAHA, CZECHOSLOVAKIA (CASE NO. 098390), (3) SAME SYSTEM (FEB 1974; CIF DOLS 8,308.89) TO HOCHSCHULE FUR ARCHITEKTUR LIMITED OFFICIAL USE

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PAGE 02 TOKYO 02915 02 OF 02 270758Z

AND BAUWESEN, WEIMAR, EAST GERMANY (CASE NO. 098389) AND (4) SAME SYSTEM (JAN 1975; CIF DOLS 10,688.42) TO TSNIITMASH, MOSCOW, USSR (CASE NO. 143557); AND (B) ONE SHIPMENT BY FUJITSU LTD., THRU C. ITOH AND CO. LTD., I.E. DPD 11/05 COMPUTER SYSTEM AND PERIPHERALS (JUNE 1975; CIF DOLS 31,630.54) TO POSTS AND TELECOMMUNICATIONS MINISTRY, OSLO, NORWAY FOR SATELLITE GROUND STATION.

RE-EXPORTS SCHEDULED BUT NOT YET MADE AS OF THIS DATE BY DOMESTIC CUSTOMERS TO WHOM DECJ HAS ALREADY RESOLD DECM PRODUCTS UNDER THE PROCEDURE ARE, ACCORDING TO DECJ, FOLLOWING FIVE SHIPMENTS BY TWO FIRMS: (A) THREE SHIPMENTS BY MITSUI SHIPBUILDING THRU MITSUI AND COMPANY ALL TO MACHINOIMPORT, MOSCOW, USSR FOR DELIVERY TO END USER, FESCO VESTOCHNY TERMINAL, MORFLOT FOR NAKHODKA CONTAINER TERMINAL (CASE NO. 156881), VIZ., (1) INPUT-OUTPUT DEVICE (MAY 1975; CIF DOLS 50,560.45), (2) DPD 11/40 CPU DUAL PROCESSORS (JUN 1975; CIF DOLS 150,074.51), (3) REPAIR PARTS FOR CPU AND PERIPHERALS (AUG 1975; CIF DOLS 54,460.23); AND (B) TWO SHIPMENTS BY JEOL LTD. TO TSNIITMASH, MOSCOW, USSR, VIZ., (1) THREE UNITS OF DPD8M-CPU (OCT 1975; CIF DOLS 30,014.38) (CASE NO. 179341) AND (2) ONE UNIT OF SAME SYSTEM (JAN 1976; CIF DOLS 9,066.79) (CASE NO. 184940).

DECJ STATES ALL RE-EXPORTS TO EASTERN BLOC MADE OR SCHEDULED BY DECJ'S LOCAL CUSTOMERS AS ABOVE HAVE BEEN

APPROVED BY OEA ACCORDING TO THE APPLIED CASE NUMBERS  
SHOWN IN EACH SHIPMENT DESCRIBED ABOVE.

10. EMBASSY COMMENT: DECJ APPEARS TO BE CONDUCTING  
ITS IMPORT AND LOCAL DISTRIBUTION BUSINESS IN ACCORDANCE  
WITH SECTION 373.3 AS FAR AS ITS SALES RECORD KEEPING  
PROCEDURES ARE CONCERNED. WE RECOMMEND THAT OEA CONTACT  
DECM FOR REMEDIAL ACTION, HOWEVER; WE FOUND THAT DECJ  
WAS NOT RECEIVING BASIC INSTRUCTIONS FROM DECM AS  
DESCRIBED IN PARA 7 ABOVE AND DID NOT HAVE SOME OF  
DENIAL LISTS AND ADDENDA THERETO AS IN PARA 5 ABOVE.  
IN THIS CONNECTION, DECJ RECORDS CONTAIN A LETTER OF  
JAN 19, 1976 RECEIVED FROM MR. RON GROSSMAN, EXPORT  
SERVICE MANAGER OF DECM, PART OF WHICH READS: QTE  
RECORD KEEPING PORTION OF EACH CONSIGNEES' RESPONSI-  
BILITIES HAS GOTTEN SIGNIFICANTLY MORE COMPLEX AS  
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PAGE 03 TOKYO 02915 02 OF 02 270758Z

WASHINGTON MOVES TO CLOSE THE LOOPHOLES. ....SINCE  
THE DEPARTMENT OF COMMERCE DECIDED TO STEP UP THEIR  
AUDITS OF MNC SUBSIDIARY ACTIVITIES AT REQUEST OF  
CONGRESSIONAL COMMITTEE, DIGITAL HAS HAD TWO OVERSEAS  
INSPECTIONS WITHIN PAST SIX MONTHS. IN ORDER TO BE SURE  
WE STAY WITHIN REGULATIONS AND GUIDELINES OF DISTRI-  
BUTION LICENSE, I AM PROPOSING SEVERAL REGIONAL SEMINARS  
IN EUROPE AND IN GIA (GENERAL INTL AREA) TO ACQUAINT  
APPROPRIATE MANAGEMENT AND/OR SUPERVISORY PEOPLE TO  
ABOVE GUIDELINES UNQTE. END COMMENT.  
HODGSON

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ELECTRONIC EQUIPMENT, EXPORT LICENSES, STRATEGIC TRADE CONTROLS, COMPUTERS, SEMICONDUCTOR DEVICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 27 FEB 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976TOKYO02915  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
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**Film Number:** D760073-1073  
**From:** TOKYO  
**Handling Restrictions:** n/a  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
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**Subject:** AUDITING OF RECORDS MAINTAINED UNDER DISTRIBUTION LICENSE PROCEDURE - DIGITAL EQUIPMENT CORP  
INTERNATIONAL JAPAN  
**TAGS:** ESTC, JA, DIGITAL EQUIPMENT CORP INT  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006